



**Director of
Central
Intelligence**

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NICARAGUA-HONDURAS: Military Tension

The danger of a military clash between Nicaragua and Honduras is increasing, but a full-scale war does not appear imminent. [redacted]

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Heavy fighting is taking place near Jalapa between anti-Sandinista guerrillas and Nicaraguan forces. [redacted]

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[redacted]
[redacted] The Army reportedly has orders only to return fire, [redacted]

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The US defense attache in Managua says that on Thursday US officials saw about 100 reservists or militiamen at Sandino airport and 200 others moving by truck into the city. He also notes, however, that security around Managua is normal and that no travel restrictions are in effect. According to press accounts, three reserve battalions have returned to Managua from the north in the last two weeks. [redacted]

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Comment: [redacted]

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[redacted] signs from both capitals indicate that major hostilities are unlikely. The two governments probably will exchange protests over the recent border incidents, however, and tensions are likely to increase. [redacted]

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The activity at Sandino airport suggests that the Sandinistas are rotating troops by air to the northern border area. This is a sign that the insurgents are having some success interdicting roads in the north. The fact that units are returning to Managua indicates that no major reinforcement of the northern border is taking place. [redacted]

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CENTRAL AMERICA: Impasse in Negotiations

The most recent discussions involving the five Central American nations and the Contadora Foreign Ministers—representing Mexico, Venezuela, Colombia, and Panama—have ended amid signs of diminishing prospects for a regional dialogue. [redacted]

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Press reports say that the Contadora Foreign Ministers were unable to resolve differences between Nicaragua and its neighbors over a negotiating formula. Additional discussions at lower levels are slated for later this month. [redacted]

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Comment: The creation of a nine-nation technical committee to study procedural and other issues is an attempt by the Contadora Foreign Ministers to maintain the initiative. The junior level of the personnel to be sent by the nine countries to work on the group, however, suggests that the effort may be losing momentum. [redacted]

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The Sandinistas, meanwhile, appear frustrated by their failure to undercut the unity of the Central American states. Although Managua is paying lipservice to continuing efforts by the Contadora Foreign Ministers, it also is likely to renew its attempts at the UN to press for bilateral meetings with Honduras. [redacted]

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GREECE: Communist Pressure on Papandreou

Public criticism of Prime Minister Papandreou by the Communist Party could slow progress in the base talks with the US. [redacted]

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[redacted]
[redacted] In a

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speech last weekend, Communist leader Florakis attacked Papandreou's economic policies and called on the government to break off negotiations with Washington on a Defense and Economic Cooperation Agreement. [redacted]

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Papandreou recently predicted to the US Ambassador that the Communists would take to the streets to dramatize their case. Various press reports say more than 1 million workers—many belonging to Communist-controlled unions—staged a nationwide “warning strike” on Thursday. They were protesting a new law that will limit the right of trade unions to strike. [redacted]

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Comment: The Communists previously had refrained from openly criticizing the government's policies. The decision to do so at this point may reflect a belief that the prolonged base negotiations, the country's economic problems, and the antistrike legislation have left Papandreou more vulnerable to attack than ever before. [redacted]

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The Prime Minister is likely to weather the challenge. He almost certainly is concerned, however, about the degree to which the left wing of his own party is attracted to the Communists' stance. He thus will probably be extremely cautious about signing a base agreement.

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FINLAND-USSR: Koivisto's Visit to Moscow

President Koivisto, whose visit to the USSR begins on Monday, will try to assuage Moscow's concern about the direction of Helsinki's foreign policy. [REDACTED]

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Finnish press reports quote Koivisto as saying he will agree in Moscow to a 20-year extension of the Soviet-Finnish Mutual Assistance Treaty, as the Soviets have requested. Last week the Finns agreed to increase their imports of oil and chemical products from the USSR as the first step toward reducing Finland's surplus in bilateral trade. The Soviets also have urged the Finns to buy more natural gas and a 1,000-megawatt nuclear power plant. [REDACTED]

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Comment: The Soviets seem unsure whether Koivisto will follow Kekkonen's policies, especially toward the USSR, and their desire for reassurance may have increased since their own change of leadership. They probably will voice this concern to Koivisto and may press him on certain trade and domestic policies. The Soviets will be likely to ask that he appoint someone they favor to replace Karjalainen. [REDACTED]

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Koivisto probably decided to extend the treaty at this time to indicate continuity in foreign policy. The Finns are still studying the projects suggested by Moscow for redressing the trade imbalance. They have been trying to identify additional Soviet goods to import rather than put limits on their exports to the USSR. [REDACTED]

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EL SALVADOR: Progress on Human Rights

More than half of the country's 730 political prisoners have been released since the amnesty law went into effect in the middle of last month, according to US Embassy officials. In addition, 31 guerrillas and sympathizers have turned themselves in to military or civil authorities. An official of the Amnesty Commission notes that former insurgents are neither subject to interrogation nor required to provide details of their past activities. The government is preparing to increase publicity of the amnesty through the media and airdrops of leaflets.

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Comment: The large number of political prisoners already released is a positive sign, but the real test of the program will be the number of insurgents willing to stop fighting. Fear of reprisals from either the extreme left or right probably will inhibit many guerrillas and political exiles from participating. The government hopes, however, that the publicity campaign and fair treatment of participants will spur additional defections of some less-dedicated insurgents.

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CHINA-MONGOLIA: Protest Over Expulsions

Beijing has delivered a diplomatic protest of the mistreatment of Chinese nationals in Mongolia and the expulsion thus far of some 600 of them from that country. China accuses the Mongolians of raising a new obstacle to the improvement of bilateral relations and has called on them to stop the mistreatment of Chinese or face unstated consequences. [redacted] Beijing is trying to foil what it sees as an effort by Ulaan Baatar to create enough friction in Sino-Mongolian relations to justify the retention of Soviet troops in Mongolia. [redacted]

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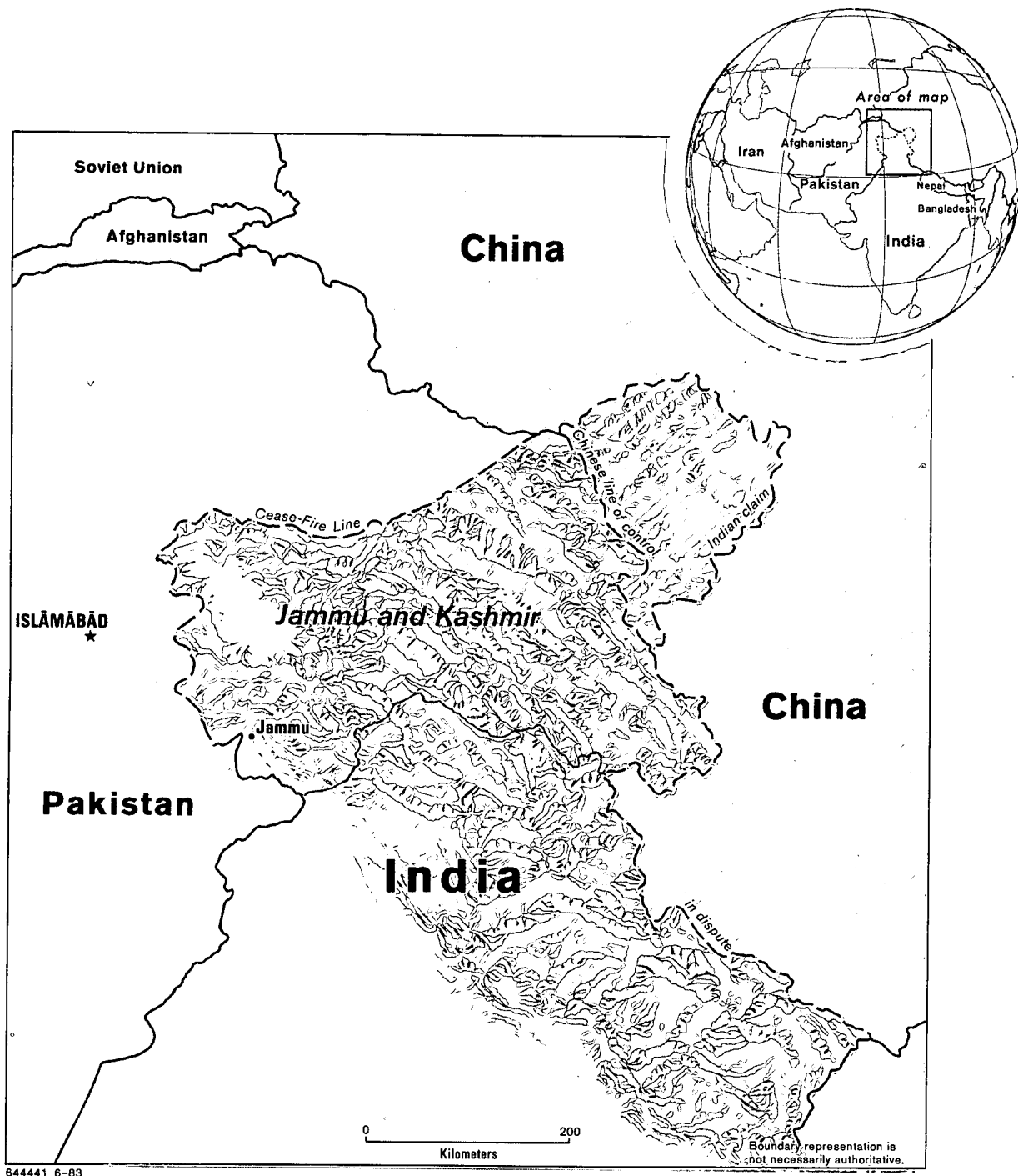
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Comment: The restrained note claims that China has made 14 representations since early March, suggesting that Beijing wanted to avoid publicizing the issue. Mongolia's decision this week to publicize the expulsions probably was provoked by foreign press reports. The Chinese believe that the USSR approved the expulsions, but they have not blamed the Soviets. The withdrawal of Soviet forces from Mongolia has been one of Beijing's main conditions for normalizing relations with Moscow. [redacted]

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INDIA: Legislative Election

Prime Minister Gandhi's Congress Party is unlikely to gain power in the legislative assembly election tomorrow in the sensitive border state of Jammu and Kashmir, where there is a Muslim majority. The US Embassy reports that Chief Minister Farooq Abdullah's ruling National Conference Party appears to have enough Muslim support in Kashmir to offset the expected heavy Hindu backing of the Congress Party in Jammu. If the southern portion of the state rejects the National Conference's Muslim candidates, Farooq has threatened to detach Hindu-dominated Jammu. [REDACTED]

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Comment: Gandhi is trying to reassert her party's dominance throughout India and hopes to reverse the rise of regional parties. Although she may make small gains, tensions resulting from the election campaign could aggravate the country's growing Hindu-Muslim communal violence. This could in turn jeopardize rapprochement with Pakistan, which claims part of Jammu and Kashmir. [REDACTED]

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IRAN: Public Trials of Tudeh Party Members

The Prosecutor General announced on Wednesday that some members of the pro-Soviet Tudeh Party would be tried publicly, and he accused the party of having connections with East Germany and Afghanistan. [REDACTED]

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[REDACTED] Tehran has denied rumors that Tudeh members have already been executed, but some allegedly have committed suicide rather than stand trial. More than 1,500 people accused of links with Tudeh have been arrested, reportedly including a member of Assembly Speaker Rafsanjani's personal staff, a former Navy commander, and 90 Air Force and Navy officers. [REDACTED]

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Comment: The trials are likely to begin soon. The arrests in the last two months have decimated the middle and lower ranks of the party. Most of the top leaders and Central Committee members were arrested in February. Although some Tudeh members have managed to escape to Eastern Europe, the party no longer can function effectively. [REDACTED]

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USSR-YUGOSLAVIA: Soviet Criticism

An article in a Soviet weekly has indirectly criticized Yugoslavia's efforts to secure a financial assistance package from the West. According to the US Embassy in Belgrade, the article claims that Prime Minister Planinc and many other Yugoslavs believe that the country's economic difficulties stem from its indebtedness to Western banks. It also portrays them as believing that Belgrade would do better to increase austerity measures than to become "excessively dependent on foreigners." The article was reprinted last Monday in a foreign summary for senior Yugoslav officials. [REDACTED]

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Comment: Although the article did not explicitly attack Yugoslav policy, Moscow clearly intended Yugoslav leaders to get the message that it is not pleased at the prospect of greater economic reliance on the West. The Soviets may hope that, having held out the prospect of increased oil supplies to Yugoslavia, they can use such criticism to strengthen the position of those Yugoslav officials who they contend are resisting the demands of Western banks. [REDACTED]

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Special Analysis

UK: Election Outlook

Prime Minister Thatcher's Conservatives continue to hold a commanding lead in opinion polls as the election approaches, and some Tories worry that the size of their lead could cause a backlash. Opposition leaders are warning voters that Thatcher will move far to the right if she wins a large majority. Leaders of the Labor Party seem to be preparing already for the intraparty strife that is certain to erupt if Labor suffers a heavy defeat. Social Democrats and Liberals apparently hope that voters deserting the Labor Party will give them enough support to permit the Alliance to claim that it represents the only alternative to Thatcher.

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A sizable Conservative victory remains the most likely result. Major opinion polls continue to give the Tories an average lead of 13 percent.

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In previous elections, however, actual balloting has reflected a drop in support for the front-runner and an increase in the Liberal vote. These factors, combined with close poll results in marginal constituencies, suggest that the Tory margin will be less than currently forecast.

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Thatcher Predominant

Thatcher has controlled the campaign, and the election is clearly a referendum on her leadership. Although the Prime Minister's reputation as a strong leader remains the Tories' greatest asset, some party strategists fear that a campaign based so much on a single personality could falter if Thatcher makes a blunder. With a large lead in the polls, she may now be inclined to avoid risks and tone down her more strident attacks against the other parties.

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Opposition leaders and even some moderate Tories are using Thatcher's role to stir up voters' fears that a landslide victory would prompt her to move to the right. Labor and Alliance spokesmen recently have charged the Prime Minister with having a "secret manifesto" that calls for massive cuts in social spending and dismantling parts of the National Health Service. In addition, Thatcher's criticisms of Foreign Secretary Pym and press speculation about the removal of remaining moderates in the cabinet after the election have led the opposition to claim that the Prime Minister will face no restraints within the Tory Party.

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Thatcher has done little to contest such speculation. Voters who fear a swing to the right and who are most concerned about preventing a Labor victory may stay at home or support the Social Democrats and Liberals—a possibility reflected in a recent poll. Tories remain worried that such a development could rob them of a majority or even permit a minority Labor government to take office. As a result, Thatcher's campaign will continue to feature the claim that a vote for the Alliance is a vote for Labor.

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Labor Disunity

Labor's hopes of exploiting the unemployment issue have thus far been damaged by signs of an economic upturn and by perceptions that Labor's policies are only a rehash of past failures. In addition, media criticism of party leader Foot's poor campaign performance reached such a stage that party and union officials were forced to take the unprecedented step of reaffirming confidence in Foot's leadership. For the last days of the election, however, Labor apparently plans to emphasize the role of moderate deputy leader Healey, the party's most effective votegetter.

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Thatcher also has been able to exploit disputes between Labor moderates and leftwingers over the future of the UK's Polaris submarine force. Foot's inability to reconcile the two factions has added to his image of indecisiveness, and the attention given to Labor's renewed squabbling has diverted attention from the economy to defense issues, where the Tories are on stronger ground.

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Some party members may still cling to the possibility that Labor, with its geographically concentrated support, can emerge as the largest single party in a "hung Parliament." Others, however, probably are hoping only that Labor can retain its 30-percent base of support. Healey, defense spokesman Silkin, and other party leaders evidently are already preparing for the struggle between moderates and leftists that would follow a Labor defeat and Foot's almost certain ouster.

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The Alliance's Prospects

The Social Democratic-Liberal Alliance has moved up in one poll to 25 percent from a low of about 15 percent—still not enough to force a "hung Parliament" without a corresponding drop in Conservative strength. The Alliance has been hampered by the uninspired campaign of its "prime minister-designate," Roy Jenkins, and its strategists are trying to give prominence to Liberal leader Steel, a more popular politician.

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Many Social Democrats fear that most of their members of Parliament, including the party's leading figures, face defeat unless support picks up. They also are concerned that the Liberals will, in any event, far outnumber Social Democrats in Parliament. Such an outcome would strain relations between the two parties.

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Alliance spokesmen have concentrated their fire on Labor during most of the campaign. They hope the prospect of a disastrous Labor showing, followed by more infighting, will persuade voters that the Alliance is the only alternative to Thatcher.

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This strategy serves the Alliance's longer term interests. To strengthen its short-term prospects and keep alive the hope of holding the balance of power following the election, the Alliance is now joining Labor in warning of the dangers of a Thatcher "dictatorship" if the Tories win in a landslide.

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